

UNITED STATES OF AMERICA  
BEFORE  
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

STATE OF WEST VIRGINIA  
DIVISION OF BANKING  
CHARLESTON, WEST VIRGINIA

Written Agreement by and among	)	
	)	
BANK OF GREENVILLE	)	
Greenville, West Virginia	)	Docket No. 00-27-WA/RB
	)	
FEDERAL RESERVE BANK	)	
OF RICHMOND	)	
Richmond, Virginia	)	
	)	
and	)	
	)	
WEST VIRGINIA DIVISION	)	
OF BANKING	)	
Charleston, West Virginia	)	
	)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of the Bank of Greenville, Greenville, West Virginia (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Richmond (the "Reserve Bank"), and the West Virginia Division of Banking (the "State") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on January 8, 2001, the board of directors of the Bank, at a duly constituted meeting, adopted resolutions authorizing and directing, R. Warren Ellison, to enter into this Agreement on behalf of the Bank and consenting to compliance by the Bank and

its institution-affiliated parties, as defined by section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the State agree as follows:

1. Within 60 days of this Agreement, the board of directors shall submit to the Reserve Bank and the State a written plan to strengthen board oversight and management information systems. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and to maintain effective control over and supervision of the senior management, major operations, and activities of the Bank, including, at a minimum:

- (i) the credit risk management program, including underwriting, loan grading, loan policy exceptions, and collections;
- (ii) liquidity and interest rate risk;
- (iii) an independent audit function that reports directly to the board of directors;
- (iv) internal controls and recordkeeping procedures; and
- (v) the budgeting process and contingency planning;

(b) the responsibility of the board of directors to monitor exceptions to approved Bank policies and guidelines;

(c) deficiencies noted in the report of the examination of the Bank conducted by the Reserve Bank and the State in October 2000 (the "Report of Examination");

(d) a description of the detailed information to be included in periodic reports that will be reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, loan loss reserve adequacy, earnings, and liquidity; and

(e) the maintenance of adequate and complete minutes of all board meetings, approval of such minutes, and their retention for supervisory review.

2. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral or other means on each loan or other asset in excess of \$50,000 that was past due as to principal or interest in excess of 90 days as of the date of this Agreement or that was adversely classified or listed as special mention in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$50,000 becomes past due as to principal and interest for more than 90 days, is adversely classified internally by the Bank, or is adversely classified or listed for special mention in any subsequent report of examination or visitation, the Bank shall submit to the Reserve Bank and the State an acceptable written plan to improve the Bank's position on such loan or other asset.

(c) The plan for each loan or other asset shall be formally approved by the board of directors and shall, at a minimum, include:

- (i) A description of the current status of the loan or other asset;
- (ii) proposed actions to improve, reduce, or eliminate the loan or other asset, time frames for such actions, and the projected balance owing and value of anticipated collateral; and
- (iii) the borrower's acknowledgement of and response to the plan.

(d) Within 30 days of the end of each calendar quarter (March 31, June 30, September 30, and December 31), the Bank shall submit a written progress report to the Reserve Bank and the State on the loans or other assets described within this paragraph, which shall include, at a minimum, the carrying value of the loan or other asset, changes in the nature and value of supporting collateral, and a copy of the Bank's current internal watch list.

3. Within 30 days of this Agreement, the Bank shall achieve and, thereafter, maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the probable losses in the Bank's loan portfolio, including the potential for the existence of unidentified losses in loans adversely classified and the imprecision of loss estimates, and the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated December 22, 1993, SFAS 114, and SFAS 5. A written record shall be maintained indicating the methodology used in determining the amount of reserve needed to

cover total loans and documentation shall be maintained to support the methodology. The reserve methodology shall be submitted to the Reserve Bank and the State within 60 days of this Agreement. Thereafter, at a minimum on calendar quarterly basis (March 31, June 30, September 30, and December 31), the Bank shall conduct an assessment of its loan loss reserve and its non-performing loans and shall submit documentation of each quarterly assessment to the Reserve Bank and the State within 30 days of the end of each calendar quarter.

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable revised written loan policies and procedures that shall, at a minimum, address, consider, and include: (a) a prohibition on extending credit to fund accrued but not collected interest; (b) guidelines for loans to institution-affiliated parties; and (c) other criticisms regarding loans noted in the Report of Examination.

5. Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable policies and procedures for the post-funding review of each new and renewed loan to identify documentation deficiencies and oversee the corrections of the deficiencies. The Bank personnel conducting the review shall report quarterly (March 31, June 30, September 30, and December 31) to the board of directors on the number of files reviewed, deficiencies identified, deficiencies corrected, and the steps taken to correct deficiencies that remain uncorrected. The Bank shall maintain a copy of each quarterly report for supervisory review.

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable written procedures designed to strengthen and maintain the Bank's internal controls. These procedures shall include corrective steps that are responsive to the internal control deficiencies noted in the Report of Examination, including, but not limited to, lines of authority, segregation of duties, and reconcilements.

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written plan for the independent review of the Bank's internal controls and procedures with regard to the Bank's ongoing compliance with the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.) (collectively referred to as the Bank Secrecy Act (the "BSA")), as required by section 208.63 of Regulation H of the Board of Governors (12 C.F.R. 208.63). The review shall, at a minimum, identify weaknesses and potential deficiencies in the Bank's existing BSA compliance program, the Bank's compliance with the provisions of section 208.62 of Regulation H (12 C.F.R. 208.62), and detail areas for needed improvements and implementation of new procedures.

8. The Bank shall immediately take all necessary steps, consistent with sound banking practices, to eliminate or correct all violations of laws and regulations set forth in the Report of Examination. The board of directors shall take all necessary steps to ensure the Bank's future compliance with applicable laws and regulations.

9. The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the State. All requests for approval shall be received at least 30 days prior to the proposed date for declaration of dividends and shall contain, but not be limited to, current and projected information on the Bank's earnings, cash flow, capital levels, and asset quality.

10. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable written asset/liability management policies designed to improve the management of the Bank's sensitivity to market risk and liquidity.

(b) The policy regarding sensitivity to market risk shall, at a minimum, address, consider, and include: (i) identification of individuals responsible for measuring, monitoring, and controlling interest rate sensitivity; (ii) appropriate oversight and review by management and the board of directors; (iii) maintenance of documentation to support the validity and accuracy of assumptions used in measuring interest rate risk; (iv) parameters for controlling interest rate risk based on capital levels, earnings performance, and the risk tolerance of the Bank; and (v) action plans to reduce potential interest rate risk in the event that rate sensitivity results fall outside approved limits.

(c) The policy regarding liquidity shall, at a minimum, address, consider, and include: (i) appropriate standards for volume, mix, and maturity of the Bank's loans, investments, deposits, off-balance sheet commitments, and alternative funding sources;

(ii) meaningful liquidity targets and parameters; (iii) an appropriate level of loans relative to deposits and capital; (iv) appropriate oversight and review by management and board of directors; and (v) contingency funding.

11. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State a written strategic plan and budget for 2001, which shall, at a minimum, provide for or describe:

- (i) management, lending, and operational objectives, and the specific strategies for achieving such objectives;
- (ii) financial performance objectives, including plans for asset growth, earnings, liquidity, and capital supported by detailed quarterly pro forma financial statements, including projected budgets, balance sheets, and income statements; and
- (iii) the establishment of a monthly review process to monitor the actual income and expenses of the Bank in comparison to budgetary projections.

(b) A strategic plan and budget for each calendar year subsequent to 2001 shall be submitted to the Reserve Bank and the State at least one month prior to the beginning of that calendar year.

12. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable written information technology policies and procedures that fully address the



deficiencies noted in the Report of Examination, including, but not limited to, information security, segregation of duties, and contingency planning.

13. During the term of this Agreement, or as otherwise required by law, the Bank shall comply with the provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R Part 225, Subpart H) with respect to the appointment of any new director or the hiring or promotion of any senior executive officer, as defined in Regulation O of the Board of Governors (12 C.F.R Part 215).

14. Within 30 days after the end of each calendar quarter ( March 31, June 30, September 30, and December 31) following the date of this Agreement, the board of directors of the Bank shall submit a written progress report to the Reserve Bank and the State detailing the actions taken to comply with each provision of this Agreement and the results of those actions. The board of directors shall certify in writing to the Reserve Bank and the State that each director has reviewed each quarterly progress report required by this paragraph. Such reports may be discontinued when the Reserve Bank and the State, in writing, release the Bank from making further reports.

15. The Bank shall submit plans, policies, and procedures required by paragraphs 2, 4, 5, 6, 7, 10, and 12 hereof that are acceptable to the Reserve Bank and the State within the time periods set forth in this Agreement. The Bank shall adopt all plans, policies, and procedures that are approved by the Reserve Bank and the State within 10 days of approval and then shall fully comply with them. During the term of this Agreement, the Bank shall not amend or rescind the

approved plans, policies, and procedures without the prior written approval of the Reserve Bank and the State.

16. All communications regarding this Agreement shall be sent to:

- (a) Jeffrey S. Kane  
Senior Vice President  
Banking Supervision and Regulation  
Federal Reserve Bank of Richmond  
Post Office Box 27622  
Richmond, Virginia 23261
- (b) Sharon G. Bias  
Commissioner  
West Virginia Division of Banking  
State Capitol Complex  
1900 Kanawha Boulevard East  
Building 3, Room 311  
Charleston, West Virginia 25305-0240
- (c) R. Warren Ellison  
Chairman of the Board  
Bank of Greenville  
Post Office Box 19  
Greenville, West Virginia 24945

17. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the State may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

18. The provisions of this Agreement shall be binding upon the Bank and all of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

19. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the State.

20. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors or the State or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

21. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 12<sup>th</sup> day of January, 2001.

Bank of Greenville

By: R. Warren Ellison  
Chairman of the Board


Federal Reserve Bank of Richmond


By: [Signature]

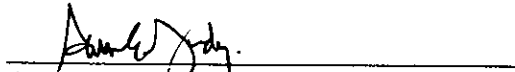
West Virginia Division of Banking

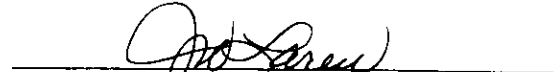
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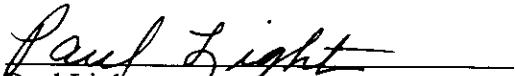
The undersigned directors of the Bank of Greenville individually acknowledge reading the foregoing Agreement and approve of the consent thereto by the Bank of Greenville.

  
R. Warren Ellison

  
Paul E. Johnson

  
Aaron E. Judy

  
J. W. Larew

  
Paul Light